



KOMERCIJALNA BANKA

Meni najbliža

UNITED NATIONS GLOBAL COMPACT PROGRESS REPORT

2019



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ABOUT US

Komercijalna banka AD Beograd is one of the leading banks in the Republic of Serbia. In addition to Komercijalna banka AD Beograd, the Group also comprises Komercijalna banka AD Budva (Montenegro) and Komercijalna banka AD Banja Luka (Bosnia and Herzegovina).

Komercijalna banka offers a complete range of banking products and services to both private individuals and the companies, providing support through modern, innovative and tailored banking products.

OUR VISION

We are the leading bank in the country and the region, which significantly contributes to economic development, a better quality of life for citizens and overall prosperity, as well as to creation and acceptance of progressive values in all areas of work and creativity.

OUR MISSION

We are a strong and reliable financial institution, a reputed financial brand, with a leading position in the most important business segments

We support our customers through modern, innovative banking products that are customised to match their needs, with the highest quality service.

We respect the highest international standards and values in providing financial products and services.

We contribute to the economic development and economic prosperity of the Republic of Serbia and all the countries in which we operate.



Opening statement of Mr Vladimir Medan the President of the Executive Board of Komercijalna banka AD Beograd, in the Global Compact Progress Report for the year 2019

The privatisation process of Komercijalna banka was initiated in the previous year, when the state purchased the stakes of three significant shareholders and became the owner of 83% of the Bank's capital. Despite the change in ownership, the Bank was able to grow and to maintain all the parameters of security and stability. This only goes to prove that Komercijalna banka is an institution which, regardless of ownership structure, will provide what is needed for both clients and the Serbian financial market.

Our company is marked by responsible behaviour towards the employees, clients, business partners and all the members of society. And this is the reason on account of which the Bank, for a long period of time now, holds one of the leading positions in the public eye, as measured by the criteria of brand recognition, quality and satisfaction with the products and services used by clients.

The Bank will continue to strive to maintain stable business operations, growth and profitability. It is our desire to take advantage of the new opportunities for further development, while still upholding the principles of the Global Compact. The Bank will continue to develop its activities in the field of protection of human and labour rights, environmental protection and fight against the corruption.

The Ten Principles of the United Nations Global Compact

United Nations Global Compact seeks to advance ten universally accepted principles pertaining to the area of protection of human and labour rights, the environmental protection and the fight against the corruption.

Protection of human rights, where business entities should:

Principle 1: support and respect the protection of internationally proclaimed human rights and

Principle 2: make sure that they are not complicit in human rights abuses in performing their business activities.

Protection of labour rights, where business entities should:

Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining,

Principle 4: uphold the elimination of all forms of forced and compulsory labour,

Principle 5: effectively abolish all forms of child labour, and

Principle 6: support elimination of discrimination in respect of employment and occupation.

Protection of the environment, where business entities should:

Principle 7: responsibly support a principle of precautionary approach to environmental challenges,

Principle 8: undertake initiatives to promote greater environmental responsibility, and

Principle 9: encourage the use and development of environmentally friendly technologies.

The fight against corruption:

Principle 10: Business entities should fight against corruption in all its forms, at each level, including extortion and bribery.

PROTECTION OF HUMAN RIGHTS

Komercijalna banka fully complies with the principle of human rights protection, i.e. supports and abides by the protection of the internationally recognized human rights to the letter (**principle 1**), and does not involve in any kind of human rights violation (**principle 2**).

For the purpose of implementing the provisions of the Law on the Prevention of Harassment at Workplace and the Rulebook on the Rules of Conduct of Employers and Employees Concerning Prevention and Protection from Harassment at the Workplace, the Bank on its internal Portal publishes:

- Support person - a person whom an employee who suspects of being exposed to an abuse can approach to present the problem, provides advice and support in order to prevent and recognize an abuse;
- A person authorized to initiate an anti-abuse procedure.

Contact for Ethical Issues and Complaints

To all the questions of employees regarding the implementation and interpretation of the provisions of the Labour Law, the Law on Gender Equality, Law on Prohibition of Discrimination and the Law on the Prevention of Harassment at Workplace, the Law on Vocational Rehabilitation and Employment of Persons with Disabilities ..., as well as regarding any potential complaints and objections, adequate responses were provided by the Legal Affairs Division - the Department of Legal and Labour Affairs and the Department of Human Resources.

PROTECTION OF THE EMPLOYEES' LABOUR RIGHTS

Komercijalna banka fully supports the freedom of association and the effective recognition of the right to collective bargaining (**principle 3**), the elimination of all forms of forced and compulsory labour (**principle 4**), the effective abolition of child labour (**principle 5**) and elimination of discrimination in respect of employment and occupation (**principle 6**).

In enforcing the labour rights, Komercijalna banka refers to the Labour Law of the Republic of Serbia. The Labour law is consistent with the conventions and the recommendations of the International Labour Organization, which were ratified by our country, and it contains all the standards and norms that guarantee the rights, protection and working conditions of employees, as established by such conventions and recommendations.

Also, the Labour Law incorporates the directives of the European Union, thereby creating the conditions in which employees can exercise their rights in accordance with the international standards.

The Bank supports the freedom of association and the effective recognition of the right to collective bargaining through the work of the Independent Trade Union of Komercijalna banka AD Beograd.

Collective rights of employees refer to the right of association, the right to form trade unions, the right of collective bargaining, the right to conclude a collective agreement, the right to information. They also refer to the right to express their views on important issues related to labour, the right to consultation, the right to participation, the right to amicable resolution of collective and individual labour disputes and the right to collective action.

Komercijalna banka remains committed to the principle 4, which means that it does not make use of any form of forced and compulsory labour. The Bank has never been sued, convicted or penalized for forced and compulsory labour.

In accordance with the Law on the Prevention of Harassment at Workplace, it is prohibited and punishable, and/or sanctioned to exercise abuse, sexual harassment and misuse of the right to protection from abuse.

Each employee is acquainted with his/hers, as well as with the rights, obligations and responsibilities of the Bank. All necessary information is continuously available on the internal portal of the Bank, and each employee has also received this notice in writing.

Concurrently, Komercijalna banka fully supports the prohibition of all forms of child labour and does not employ persons under 18 years of age (although the Labour Law in certain cases allows for employment of persons under 18 years of age), and it also does not cooperate with the business entities that employ workers under the age of 18.

THE AGE STRUCTURE OF EMPLOYEES OF KOMERCIJALNA BANKA IN 2019

Overview of employees in Komercijalna banka by age						
Age categories	up to 30	31 - 40	41 - 50	51 - 60	over 60	Total
31 Dec 2019	91	780	918	798	157	2,744

Komercijalna banka is also fighting against discrimination in respect of employment and occupation by acting in accordance with the provisions of: the Labour Law, the Law on Gender Equality and the Law on Prohibition of Discrimination.

THE STRUCTURE OF EMPLOYEES OF KOMERCIJALNA BANKA BY GENDER IN 2019

Overview of employees in Komercijalna banka by gender					
Gender	Female		Male		Total
31 Dec 2019	2,018	73.54%	726	26.46%	2,744

Professional training of employees

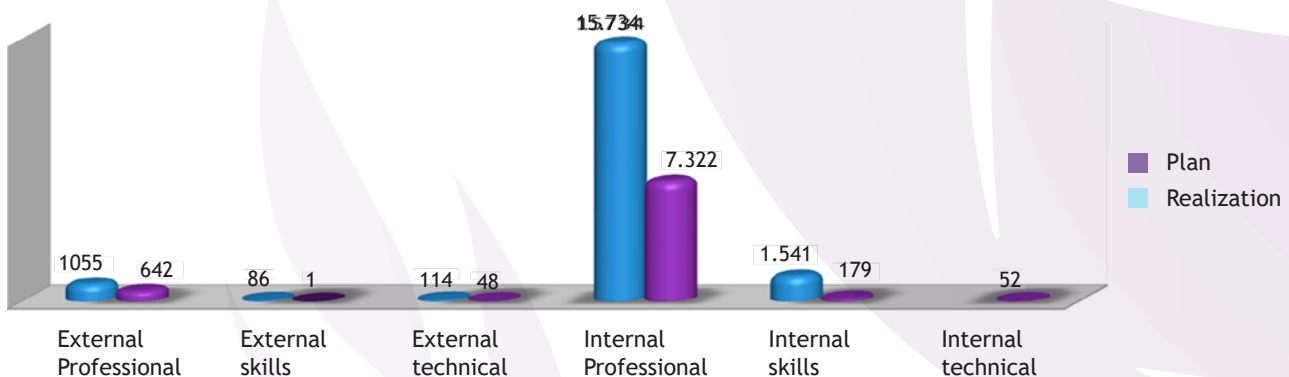
The Bank continually invests in training and professional development of employees, keeping in mind the needs of employees in terms of professional development in order to achieve the enhancement in knowledge and capabilities.

Continuing education is an imperative for further development and progress of the Bank, itself, as well as the investment that contributes to the development of individuals, to an increase of the employees' productivity and overall business success. Participation of the Bank's employees at conferences enables additional networking and exchange of experience with banking experts, monitoring of new trends and establishing potential business cooperation.

In the course of 2019 the majority of trainings were based on the need of complying with the prescribed legal regulations. In this regard, a significantly larger number of internal trainings were held. In order to acquire new knowledge and skills, the Bank's employees also attended various external trainings. Participation of the employees at the conferences enabled additional networking and exchange of experiences with experts in the field of banking, monitoring of new trends and achieving potential business cooperation.

Total of 8.244 participants, and/or trainees attended 116 trainings / conferences in 2019. The term "Trainee" means that individual employees can attend multiple trainings.

The chart below presents a comparative overview of the planned number of trainees for 2019 in comparison to the number of trainees who attended the trainings conducted in 2019.



Observed by the lecturer, the internal trainings carried out by the employees from organisational parts of the Bank in cooperation with the Human Resources Division, were attended by 7.753 participants (one employee attended several trainings during the year), while 691 participants attended trainings for which external lecturers were hired.

Most of the Bank's employees were included in the internal On-line trainings, the theme of which were Information Security and the Prevention of Money Laundering and Financing of Terrorism.

Through consideration of the Bank's business needs by the Retail Business Analytics Division in 2019, the implementation of three new internal skills trainings has commenced, which were attended by a total of 179 employees:

- Managing and improving the communication in a sub-branch
- Improvement of sales activities
- Sub-branch host - cashier liquidators

The objective of the indicated trainings:

- Improving management and communication skills
- Identification, and/or recognition of all products and services of the Bank from the segment of private individuals
- Unifying customer communication approach
- Active listening in sales activities
- Product sales techniques
- Improvement of sales activities with the aim of achieving results

According to the criteria of the importance of the topic and the number of participants, the most notable professional trainings conducted in the period from 01 January to 31 December 2019, including online trainings, are the following:

External:

- Compulsory continuing education of authorised bancassurance agents (303 participants)
- First aid training (99)
- Cash flow management (60)
- Advanced excel (48)
- Collateral management (13)
- SQL trainings (13)

Internal:

- Information security (2.176) - online
- Prevention of money laundering and financing of terrorism (1.886) - online
- Processing of currency EUR in accordance with the Decision of the National Bank of Serbia (1341)
- Monitoring of clients' business operations (365)
- Code of conduct, customer complaints and conflict of interest (319)
- Typology of money laundering (290)
- Acting in case of fraud (266)
- Loan proposals for approving loans to micro clients (87)
- Training for newly employed Liquidators - cashiers (58).

Department for Prevention of Money Laundering and Financing of Terrorism (AML/CFT) for the sixth consecutive year, conducts continuous training, and/or education of employees in relation to Monitoring of clients' business operations and Typology of money laundering. In cooperation with the Compliance Division, which carried out the trainings related to Code of Conduct and Professional Ethics, a set of trainings has been designed, which was the second-ranked internal training by number of participants in 2019. The employees in sub-branches were the target group.

In accordance with the plan of the Human Resources Division and in cooperation with the representatives of the Payment Transactions Division and the retail function, trainings for new employees in the sub-branches were created and conducted. 57 new employees were introduced to the basics of their work through a five-day training, after which they were able to get involved in the work in their sub-branches more easily and more actively.

Particular attention in planning of trainings for 2019 was placed on trainings related to sales, aimed at increasing the level of operations and sales activities of employees in order to achieve the best possible sales results, unifying approach in communication with customers, as well as ways to close the sales and expand customer base.

ENVIRONMENT PROTECTION

Komercijalna banka seeks to responsibly support a precautionary approach to the environmental challenges (**principle 7**), promote greater environmental responsibility (**principle 8**) and encourages the use and development of the environment-friendly technologies (**principle 9**).

Komercijalna banka continues to observe the highest international standards and values in providing financial products and services, and also to develop activities pertaining to the area of environmental protection and to apply the best practice of sustainable financing.

Recognising the importance of responsible business operations, Komercijalna banka adopted Environmental and Social Policies and Procedures and defined standards for identifying and managing environmental and social risks during the process of approving and monitoring the loans. It also defined a procedure for resolving and responding to objections / complaints based on direct or indirect impact of business operations and activities on the environment and the society.

Rules of Conduct and Professional Ethics of Komercijalna banka AD Beograd contains a Code of Conduct in order to improve and more precisely regulate the existing principles of business ethics and rules of conduct. Within this Code, a separate section is dedicated to environmental protection, which reads:

- The Bank's orientation to operate in accordance with the principles of corporate social responsibility also includes observing the principles that pertain to the area of environmental protection.
- Managers and management bodies are obliged, in accordance with their competencies, to raise awareness of the importance of environmental protection, to anticipate the consequences of the Bank's business activities in relation to the environment, to encourage the use and development of harmless technologies and to take preventive measures, and/or by eliminating the consequences of endangering the environment, to participate in the improvement of the environmental protection process in the Bank.
- The obligation of the employees is to apply and implement the procedures and measures for improvement of operations by observing the environmental protection standards.
- Compliance with the prescribed environmental protection standards is required also from the customers and the business partners.

FIGHTING CORRUPTION

Komercijalna banka has been active and successful in combating all forms of corruption, i.e. it complies with the **principle 10 of the UN Global Compact**.

In fight against the corruption Komercijalna banka refers to the Code of Conduct - Rules of Conduct and Professional Ethics, recommended by EBRD, which explicitly prohibits corruption and fraud.

In combating corruption it implements a strict control of all processes, careful selection of employees, suppliers, partners and customers.

The issue of corruption is also regulated by the Procedure on conduct in case of fraudulent activities, considering that giving and/or receiving a bribe is prescribed also as a form of fraud. In this way, the internal control of the Bank is regulated in terms of detecting and processing fraudulent acts and the Procedure has been applied in all organisational forms and organisational parts of the Bank and its subsidiaries, the members of the banking group.

During 2019 there were no reported cases qualified as corruption (bribery and extortion).